

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

DOCKET NOS. 2013-298-E and 2013-299-E - ORDER NO. 2013-889

DECEMBER 20, 2013

IN RE: Docket No. 2013-298-E – Application of	)	ORDER APPROVING
Duke Energy Carolinas, LLC for Approval	)	DUKE ENERGY
of New Cost Recovery Mechanism and	)	CAROLINAS, LLC’S NEW
Portfolio of Demand-Side Management and	)	COST RECOVERY
Energy Efficiency Programs	)	MECHANISM AND
	)	PORTFOLIO OF
and	)	DEMAND-SIDE
	)	MANAGEMENT AND
Docket No. 2013-299-E – Application of	)	ENERGY EFFICIENCY
Duke Energy Carolinas, LLC for Approval	)	PROGRAMS AND
of Rider 5	)	RIDER 5

I. INTRODUCTION

These matters come before the Public Service Commission of South Carolina (the “Commission”) pursuant to requests made by Duke Energy Carolinas, LLC (“Duke” or the “Company”) under the authority of S.C. Code Ann. § 58-37-20 (Supp. 2012). First, the Company filed the Amended Application for Approval of a New Cost Recovery Mechanism (“Mechanism”) and Portfolio of Demand-Side Management (“DSM”) and Energy Efficiency (“EE”) Programs (the “Amended Application”) in which the proposed cost recovery model allows the Company to recover all reasonable and prudent costs incurred for the adoption and implementation of new DSM and EE programs; net lost revenues associated with a particular vintage of EE programs for a maximum of three (3) years or the life of the measure; and, an earned incentive of 11.5% of the net benefits achieved through its programs, which can be calculated using variables the Company

reports in its annual EE filing. Duke is requesting approval of a new portfolio of DSM/EE programs and new cost recovery model to be effective January 1, 2014. These matters were considered under Docket No. 2013-298-E.

On August 1, 2013, along with its Application, the Company filed the direct testimony and exhibits of Timothy J. Duff, Director, Customer Planning and Regulatory Strategy for Duke Energy Business Services, LLC; Jane L. McManeus, Managing Director, Rates for Duke Energy Carolinas, LLC; and, Richard G. Stevie, PhD, Vice President, Forecasting, by Integral Analytics, Inc.

On August 13, 2013, the Clerk's Office issued a Notice of Filing and instructed the Company to publish the Notice of Filing in newspapers of general circulation in areas affected by the Company's Application by August 20, 2013. The Notice of Filing indicated the nature of the Company's Application and advised those desiring to participate in the evidentiary hearing of the manner and time in which to file appropriate pleadings. The Company was also instructed to notify each affected customer of the hearing by August 20, 2013, and provide a certification to the Commission by September 3, 2013. On August 29, 2013, the Company filed affidavits with the Commission demonstrating that the Notice was duly published in accordance with the instructions of the Clerk's Office. On September 10, 2013, the Commission's Clerk's Office issued a testimony schedule and a Notice of Hearing, scheduled to begin on November 12, 2013.

Wal-Mart Stores East, LP and Sam's East, Inc. (collectively referred to as "Walmart") represented by Stephanie U. Roberts, Esquire, and Derrick Price Williamson, Esquire, filed a Petition to Intervene on August 28, 2013. The South Carolina Coastal

Conservation League (“CCL”); Southern Alliance for Clean Energy (“SACE”); Sierra Club; and, Natural Resources Defense Council (“NRDC”) (collectively referred to as the “Environmental Intervenors”) represented by J. Blanding Holman, IV, Esquire, filed a Petition to Intervene on September 3, 2013. The South Carolina Office of Regulatory Staff (“ORS”), automatically a party pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2012), was represented by Courtney D. Edwards, Esquire. Duke was represented by Timika Shafeek-Horton, Esquire.

On September 26, 2013, the Company filed an Amended Application and Amended Application Support Testimony and Exhibits for McManeus and Duff. On October 22, 2013, the Environmental Intervenors filed the direct testimony and exhibits of Natalie Mims, Director of Energy Efficiency for SACE (public and confidential versions). Walmart filed the direct testimony and exhibits of Kenneth E. Baker, Senior Manager of Sustainable Regulation for Wal-Mart Stores, Inc.; and ORS filed the direct testimony and exhibit of George W. Evans, President of Evans Power Consulting, Inc.

On October 29, 2013, on behalf of Duke, Walmart, SACE, CCL, NRDC, and ORS (collectively referred to as “Settling Parties”), ORS filed a Settlement Agreement with the Commission. The Sierra Club tentatively agreed to the terms of the Settlement Agreement. On October 30, 2013, Duke filed settlement support testimony and exhibits of Jane L. McManeus and settlement support testimony of Timothy J. Duff.

On November 4, 2013, the Commission issued a Directive granting the Environmental Intervenors’ witness Natalie Mims, Walmart’s witness Kenneth E. Baker, and Duke’s witness Richard Stevie, PhD, requests to be excused from the hearing.

On November 7, 2013, ORS filed a Revised Settlement Agreement (“Revised Settlement Agreement”) on behalf of the Settling Parties correcting the witness testimony list.

The Commission conducted an evidentiary hearing on this matter on November 12, 2013, in the hearing room of the Commission with the Honorable G. O’Neal Hamilton presiding. At the outset of the hearing, ORS counsel described the Revised Settlement Agreement. The Revised Settlement Agreement was accepted into the record as Hearing Exhibit 1. The Revised Settlement Agreement is attached to this Order as Order Exhibit No. 1 and incorporated herein by reference. Prior to the hearing, the Commission granted Duke permission to utilize panels for the presentation of witnesses.

Duke presented its panel of witnesses consisting of Mr. Duff and Ms. McManeus. Witness Duff testified that the Company (1) wants to replace Save-A-Watt with an accepted methodology that provides transparency regarding the amount of incentive the Company is eligible to earn and actually earns in a given year; (2) desires an incentive model that ties Duke’s incentive to how it performs related to variables and performance that it can control; (3) desires a model that aligns with customers’ interests and encourages the Company to be a good steward of the customers’ dollars; (4) wants an incentive model that, while motivating the Company to get EE and DSM impacts in the most cost-effective manner, provides an incentive for the Company to offer all cost-effective EE and DSM programs. He explained that the proposed portfolio of programs would continue to empower customers and give them a means by which to take control of

their bills, while continuing to allow customers to reduce their energy and demand to generate system avoided cost benefits that will lower the overall cost to serve customers.

Witness McManeus testified that the Company is requesting approval for an annual rider to collect revenue equal to its incurred program costs for a rate period plus a Portfolio Performance Incentive, or "PPI." She testified that the PPI is based on avoided cost savings achieved through the implementation of the Company's DSM and EE programs and is calculated by multiplying the shared savings achieved by the system portfolio of DSM and EE programs by 11.5%. Witness McManeus stated that the Company proposes to continue the practice previously approved to recover net lost revenues associated with a particular vintage for a maximum of thirty-six (36) months or the life of the measure, and provides that the recovery of net lost revenues shall cease upon the implementation of new rates in a general rate case to the extent that the new rates are set to recover net lost revenues. The recovery mechanism employs a vintage year concept and, in each of its annual rider filings, the Company plans to perform an annual true-up process for each vintage. The Company proposes to continue its current practice of recovering the cost of Duke's Interruptible Service and Stand-By Generator programs as a separate component of its EE rider called "Existing DSM Programs."

On behalf of ORS, witness Evans testified that he reviewed the Company's proposal considering two primary issues: (1) the cost impacts on ratepayers, and (2) whether the proposed changes would provide more consistency in the cost recovery mechanisms used by the three investor-owned electric utilities in South Carolina. He stated that the Company's revised portfolio of programs is reasonable and will provide

savings opportunities to all of Duke's customers. Additionally, witness Evans recommended that large commercial customers that provide evidence of efficient energy usage, in addition to industrial customers, be allowed to opt out of the programs. Witness Evans testified that the Revised Settlement Agreement is reasonable and in the public interest.

Further, the Company has filed an Application requesting approval of Rider 5 to recover certain costs and revenue associated with its modified Save-A-Watt program. This matter was filed under Docket No. 2013-299-E. The Rider consists of the following components: the second year of lost revenues for Vintage 4; a portion of the third year of lost revenues for Vintage 3; a true-up of avoided costs and year 1 lost revenues for Vintage 3; a true up of the second and third year of Vintage 2 lost revenues; and a lost revenue true-up of Vintage 1, all in accordance with the modified Save-A-Watt cost recovery mechanism approved in Commission Order No. 2010-79. Rider 5 also includes a component to recover South Carolina's retail share of program costs associated with the Company's Interruptible Service and Stand-By Generation programs, which are Existing DSM Programs. The first year of revenue to be collected pursuant to the new recovery mechanism described above is included in this rider.

The Application for approval of Rider 5 was noticed in newspapers of general circulation. No protests or petitions to intervene were filed. The Company asked for a waiver of the hearing requirement in this Docket, which we held in abeyance in Order No. 2013-624 until the return date passed. Since no protests or petitions to intervene were filed as the result of the Notices, and since many of the components found in Rider 5

were discussed in the hearing on November 12, 2013, in Docket No. 2013-298-E, and because a report was issued on the merits of Rider 5 by ORS, we now grant waiver of the hearing for Rider 5 in Docket No. 2013-299-E. ORS's Report found that the updated DSM/EE Rate Riders developed for Rider 5 were developed in accordance with the terms and conditions set forth by the Commission and are based on reasonable estimates of participation in the Company's DSM and EE programs.

## II. FINDINGS OF FACT

Based upon the Application, the Amended Application, the Revised Settlement Agreement, the testimony, and exhibits received into evidence at the hearing and the entire record of these proceedings, the Commission makes the following findings of fact:

### A. JURISDICTION

1. Duke is a limited liability company duly organized and existing under the laws of the State of North Carolina. It is a public utility under the laws of the State of South Carolina and is subject to the jurisdiction of this Commission pursuant to S.C. Code Ann. § 58-3-140(A) (Supp. 2012). The Company is engaged in the business of generating, transmitting, distributing, and selling electric power to the public in western South Carolina and a broad area of central and western North Carolina. Duke is a wholly-owned subsidiary of Duke Energy Corporation ("Duke Energy"), both having their offices and principal places of business in Charlotte, North Carolina.

2. S.C. Code Ann. § 58-37-20 (Supp. 2012) authorizes the Commission to adopt procedures that encourage electrical utilities to invest in cost-effective energy

efficient technologies and energy conservation programs. The statute further provides that if the Commission chooses to adopt such procedures they must:

- Provide incentives and cost recovery for electric utilities that invest in energy supply and end-use technologies that are cost effective, environmentally acceptable, and reduce energy consumption or demand;
- Allow electric utilities to recover their costs and obtain a reasonable rate of return on their investment in qualified DSM programs sufficient to make those programs at least as financially attractive as construction of new generating facilities; and,
- Establish rates and charges that ensure that the net income of an electrical utility after implementation of specific cost-effective energy conservation measures is at least as high as the net income would have been if the energy conservation measures had not been implemented.

B. REVISED SETTLEMENT AGREEMENT

1. The Settling Parties agreed to review the terms and conditions of the Mechanism every four (4) years and submit any proposed changes to the Commission for approval provided, however, that any party to this Docket may request the Commission to initiate such a review, or the Commission may on its own accord initiate such a review, at any time within the four (4) year period.

2. The Settling Parties agreed that changes in the terms and conditions of the Mechanism shall be applied prospectively only to vintage years following any Commission order amending these terms and conditions. Approved programs and measures shall continue to be subject to the terms and conditions that were in effect when



they were approved with respect to the recovery of reasonable and prudent costs and Net Lost Revenues. With respect to the recovery of the program performance incentive, approved programs and measures shall continue to be subject to the terms and conditions in effect in the vintage year that the measure was installed.

3. The Settling Parties agreed that the Company will make a billing adjustment that would be applied to the revenue requirement associated with the new portfolio of programs. The first year of the revenue requirement associated with the new mechanism would be billed at 75%, the second year at 80%, the third year at 90%, and the fourth year at 100%. Each year, the revenue requirement would include a true-up component of the previous year to 100% of actual plus an estimate of the current year's revenue requirement. The total of these two components would then be billed based on the billing adjustment for that year.

4. The Settling Parties agreed that the billing factor for Vintage 2014 from January 1, 2014, through December 31, 2014, is 0.2387 cents per kWh (including gross receipts tax and utility assessments) for Duke's South Carolina retail residential customers. The non-residential billing factors for a Vintage 2014 EE and Vintage DSM participant is 0.0827 cents and 0.0743 cents per kWh, respectively. The impact of opt-out results has been considered in the development of the non-residential billing factors.

5. The Settling Parties agreed that qualifying non-residential customers of the Company will be allowed to opt-out of the DSM and/or EE portion of the Company's DSM/EE Rider during annual election periods in accordance with opt-out provisions and the opt-out qualification criteria set forth in the Revised Settlement Agreement.

Furthermore, the Parties agree to the addition of a week-long “opt-in period” during the first week of March.

6. The Settling Parties agreed that prior to June 1, 2014, the Company is to convene a stakeholder group specifically focused on investigating and improving the effectiveness of its non-residential programs. The Company will file, as a component of its 2014 DSM/EE rider filing, an update regarding the outcome of these discussions and any formal proposals, should they be deemed feasible and appropriate.

7. The Company agreed to develop and file with the Commission a study designed to assess the feasibility and estimated cost associated with its achievement of Energy Efficiency Goals established in the settlement agreement entered into between Environmental Defense Fund, CCL, SACE, Duke Energy Corporation, Progress Energy, Inc., Duke Energy Carolinas, LLC, and Duke Energy Progress, Inc. (formerly Progress Energy Carolinas, Inc.) in Commission Docket Nos. 2011-158-E and 2011-68-E, i.e., an annual savings target of one percent (1%) of the previous year’s retail electricity sales beginning in 2015 and a cumulative savings target of seven percent (7%) of retail electricity sales over the five-year time period of 2014-2018.

8. In order to further incentivize and motivate the Company to pursue all cost effective energy efficiency, the Settling Parties agreed that the Company will receive an additional bonus incentive of \$100,000, if the Company achieves incremental energy savings of one percent (1%) of the prior year’s retail electricity sales in any year during the five-year period 2014-2018. The Company is eligible to receive the bonus incentive

each year during the five-year 2014-2018 period. Verification of this achievement will be obtained through the evaluation, measurement and verification process.

9. The Settling Parties agreed that within ninety (90) days of this Order, the Company will meet with the Environmental Intervenors and other interested stakeholders to discuss the creation of a low-income program to present to the Duke Energy Carolinas Energy Efficiency Collaborative (“Collaborative”) for discussion and refinement, and possibly filing such low-income program with the Commission.

10. The Settling Parties agreed to a discussion and consideration of on-bill repayment and combined heat and power as part of the Collaborative; such discussion and consideration should commence no later than December 31, 2013, and the Company agreed to report the results of the discussions to the Commission.

11. The Commission, having carefully reviewed the Revised Settlement Agreement and all of the evidence of record, finds and concludes that the provisions of the Revised Settlement Agreement are just and reasonable as to all the Parties and should be approved in their entirety. The specific terms of the Revised Settlement Agreement are addressed in the following findings of fact and conclusions.

12. For the reasons set forth above, and in light of the Revised Settlement Agreement, the Commission finds that Duke’s proposed new Mechanism and DSM/EE programs represents an appropriate and reasonable approach for implementing DSM measures that are in the public interest and are consistent with S.C. Code Ann. § 58-37-20. The Commission further finds that the flexibility in modifying this proposal requested by Duke will aid the Company in implementing its DSM programs in an

efficient manner and will provide it with the ability to adjust these programs based on evolving market conditions and information.

13. The DSM/EE Rate Riders developed for Rider 5 are just and reasonable, since they were developed in accordance with the terms and conditions set forth by the Commission, and are based on reasonable estimates of participation in the Company's DSM and EE programs.

14. The residential billing factor for Rider 5 is 0.1801 cents per kWh for Vintages 1 through 4. The non-residential billing factor is 0.1264 cents per kWh for Vintages 1 through 4. These billing factors for Rider 5 are to be combined with the new cost recovery billing factors, i.e., the Vintage 2014 factors, so that the Company can collect approved monies from the old Save-A-Watt program, as well as monies appropriate under the new cost recovery billing factors approved by this Commission, infra.

### III. CONCLUSION AND ORDER

After hearing the testimony of the witnesses and based on the Commission's review of the Application, the Amended Application, the Revised Settlement Agreement, and the testimony and exhibits submitted during the hearing on the new cost recovery factors, the Commission adopts as just and reasonable all terms and provisions of the Revised Settlement Agreement as a comprehensive resolution of the issues in Docket No. 2013-298-E. Further, this Commission adopts the Company's Rider 5, including its billing factors.

IT IS THEREFORE ORDERED THAT:

1. The Revised Settlement Agreement entered into by the Settling Parties to Docket No. 2013-298-E is approved as just and reasonable in its entirety;

2. The Settling Parties shall review the terms and conditions of the Mechanism every four (4) years and submit proposed changes, if any, to the Commission for approval; provided, however that any party to this Docket may request the Commission to initiate such a review, or the Commission may on its own accord initiate such a review, at any time within the four (4) year period.

3. Changes in the terms and conditions of this Mechanism shall be applied prospectively only to vintage years following any Commission order amending these terms and conditions. Approved programs and measures shall continue to be subject to the terms and conditions that were in effect when they were approved with respect to the recovery of reasonable and prudent costs and Net Lost Revenues. With respect to the recovery of the program performance incentive, approved programs and measures shall continue to be subject to the terms and conditions in effect in the vintage year that the measure was installed.

4. The Company will make a billing adjustment that would be applied to the revenue requirement associated with the new portfolio of programs. The first year of the revenue requirement associated with the new mechanism would be billed at 75%, the second year at 80%, the third year at 90%, and the fourth year at 100%. Each year, the revenue requirement would include a true-up component of the previous year to 100% of

actual plus an estimate of the current year's revenue requirement. The total of these two components would then be billed based on the billing adjustment for that year.

5. The billing factor for Vintage 2014 from January 1, 2014, through December 31, 2014, is 0.2387 cents per kWh (including gross receipts tax and utility assessments) for Duke's South Carolina retail residential customers. The non-residential billing factors for a Vintage 2014 EE and Vintage 2014 DSM participant is 0.0827 cents and 0.0743 cents per kWh, respectively. The impact of opt-out results was considered in the development of the non-residential billing factors. With regard to Rider 5, the residential billing factor is 0.1801 cents per kWh for Vintages 1 through 4, and the total non-residential billing factor is 0.1264 cents per kWh for those same vintages. Combining the Rider 5 billing factors with the new cost recovery billing factors, i.e. the Vintage 2014 factors, results in a total billing factor of 0.4188 cents per kWh for residential customers and a total of 0.2834 cents per kWh for non-residential customers.

6. Non-residential customers of the Company will be allowed to opt-out of the DSM and/or EE portion of the Company's DSM/EE Rider during annual election periods in accordance with opt-out provisions and the opt-out qualification criteria set forth in the Revised Settlement Agreement. Furthermore, the Parties agree to the addition of a week-long "opt-in period" during the first week of March.

7. Prior to June 1, 2014, the Company is to convene a stakeholder group specifically focused on investigating improving the effectiveness of its non-residential programs.

8. The Company shall develop a study designed to assess the feasibility and estimated cost associated with its achievement of Energy Efficiency Goals established in the settlement agreement entered into between Environmental Defense Fund, CCL, SACE, Duke Energy Corporation, Progress Energy, Inc., Duke Energy Carolinas, LLC, and Duke Energy Progress, Inc. (formerly Progress Energy Carolinas, Inc.) in Commission Docket Nos. 2011-158-E and 2011-68-E, i.e., an annual savings target of one percent (1%) of the previous year's retail electricity sales beginning in 2015 and a cumulative savings target of seven percent (7%) of retail electricity sales over the five-year time period of 2014-2018.

9. In order to further incentivize and motivate the Company to pursue all cost effective energy efficiency, the Company will receive an additional bonus incentive of \$100,000, if the Company achieves incremental energy savings of one percent (1%) of the prior year's retail electricity sales in any year during the five-year period 2014-2018. The Company is eligible to receive the bonus incentive each year during the five-year 2014-2018 period. Verification of this achievement will be obtained through the evaluation, measurement and verification process.

10. Within ninety (90) days of this Order, the Company will meet with the Environmental Intervenors and other interested stakeholders to discuss the creation of a low-income program to present to the Collaborative for discussion and refinement, and possibly filing such low-income program with the Commission.

11. The Company will have a discussion and consideration of on-bill repayment and combined heat and power as part of the Collaborative, which shall commence no later than December 31, 2013.

12. If it has not already done so by the date of issuance of this Order, the Company shall file its tariffs utilizing the Commission's e-filing system for tariffs. The revised tariffs should be electronically filed in a text searchable PDF format using the Commission's DMS System (<http://dms.psc.sc.gov>). An additional copy should be sent via email to [etariff@psc.sc.gov](mailto:etariff@psc.sc.gov) to be included in the Commission's ETariff System (<http://etariff.psc.sc.gov>). Future revisions to the tariffs should be made using the ETariff System. The revised tariffs shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

13. The Settling Parties shall abide by all terms of the Revised Settlement Agreement.



14. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:



Nikiya Han, Vice Chairman

(SEAL)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2013-298-E**

IN RE: Application of Duke Energy Carolinas, LLC     ) **REVISED**  
for Approval of New Cost Recovery                     ) **SETTLEMENT**  
Mechanism and Portfolio of Demand-Side             ) **AGREEMENT**  
Management and Energy Efficiency Programs

This Revised Settlement Agreement (“Revised Settlement Agreement”) is made by and among the Natural Resources Defense Council (“NRDC”), Southern Alliance for Clean Energy (“SACE”), and the South Carolina Coastal Conservation League (“CCL”) (collectively referred to as the “Environmental Intervenors”); Wal-Mart Stores, East, LP and Sam’s East, Inc. (“Walmart”); Duke Energy Carolinas, LLC (“Duke” or the “Company”); and, the South Carolina Office of Regulatory Staff (“ORS”) (collectively referred to as the “Parties” or sometimes individually as “Party”).

WHEREAS, the Company has prepared and filed an Amended Application for Approval of a New Cost Recovery Mechanism (“Mechanism”) and Portfolio of Demand-Side Management (“DSM”) and Energy Efficiency (“EE”) Programs (the “Amended Application”) in which the proposed cost recovery model allows the Company to recover all reasonable and prudent costs incurred for the adoption and implementation of new DSM and EE programs; net lost revenues associated with a particular vintage of EE programs for a maximum of three (3) years or the life of the measure; and an earned incentive of 11.5% of the net benefits achieved through its programs, which can be calculated using variables the Company reports in its annual EE filing.

WHEREAS, S.C. Code Ann. § 58-37-20 states:

The South Carolina Public Service Commission may adopt procedures that encourage electrical utilities and public utilities providing gas services subject to the jurisdiction of the commission to invest in cost-effective energy efficient technologies and energy conservation programs. If adopted, these procedures must: provide incentives and cost recovery for energy suppliers and distributors who invest in energy supply and end-use technologies that are cost-effective, environmentally acceptable, and reduce energy consumption or demand; allow energy suppliers and distributors to recover costs and obtain a reasonable rate of return on their investment in qualified demand-side management programs sufficient to make these programs at least as financially attractive as construction of new generating facilities; require the Public Service Commission to establish rates and charges that ensure that the net income of an electrical or gas utility regulated by the commission after implementation of specific cost-effective energy conservation measures is at least as high as the net income would have been if the energy conservation measures had not been implemented.

WHEREAS, the Parties to this Revised Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, the Parties have engaged in discussions to determine if a settlement agreement would be in their best interest, and in the case of ORS, in the public interest;

WHEREAS, following these discussions the Parties have each determined that their interest and the public interest would be best served by agreeing to request approval of the Application as amended below and to other matters in the above-captioned case under the terms and conditions set forth below in this Revised Settlement Agreement; and,

WHEREFORE, in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1. The Parties agree to stipulate into the record before the Commission the pre-filed testimony and exhibits (collectively, the "Stipulated Testimony") of the following witnesses

without objection, change, amendment or cross-examination with the exception of changes comparable to those that would be presented via an errata sheet or through a witness noting a correction consistent with this Revised Settlement Agreement. The Parties also reserve the right to engage in redirect examination of witnesses as necessary to respond to issues raised by the examination of their witnesses, if any, by non-Parties or members of the Commission, or by late-filed testimony by non-Parties.

Duke witnesses:

1. Timothy J. Duff (Direct, Amended Application Support, and Settlement Support Testimony)
2. Jane L. McManeus (Direct, Amended Application Support, and Settlement Support Testimony)
3. Richard G. Stevie, PhD. (Direct Testimony)

Environmental Intervenors' witness:

1. Natalie Mims (Direct Testimony)

Walmart witness:

1. Kenneth E. Baker (Direct Testimony)

ORS witness:

1. George W. Evans (Direct Testimony)

2. The Parties agree that the portfolio of DSM and EE programs filed by Duke should be approved as filed in the Amended Application and described in its Amended Application Support Testimony as modified herein.

3. The Parties agree that the Mechanism should be approved as filed in the Company's Amended Application and described in its Amended Application Support Testimony as modified herein. The Parties believe that the Mechanism will motivate the Company to achieve EE and DSM impacts in the most cost effective manner, and also provides an incentive for the Company to offer all cost effective EE and DSM programs.

4. The Parties agree that Duke's annual DSM/EE Rider shall be determined according to this Revised Settlement Agreement and the terms and conditions set forth in the Amended Application; however, if the terms conflict, the Revised Settlement Agreement shall govern. The Parties shall review the terms and conditions of the Mechanism every four (4) years and shall submit any proposed changes to the Commission for approval; provided, however that any Party to this Docket may request the Commission to initiate such a review, or the Commission may on its own accord initiate such a review, at any time within the four (4) year period. During the review, the Mechanism shall remain in effect until further order of the Commission revising the terms of the Mechanism or taking such other action as the Commission may deem appropriate.

5. The Parties agree that changes in the terms and conditions of this Mechanism shall be applied prospectively only, to vintage years following any Commission order amending these terms and conditions. Approved programs and measures shall continue to be subject to the terms and conditions that were in effect when they were approved with respect to the recovery of reasonable and prudent costs and Net Lost Revenues. With respect to the recovery of the program performance incentive, approved programs and measures shall continue to be subject to the terms and conditions in effect in the vintage year that the measurement unit was installed.

6. The Parties agree that the Company will make a billing adjustment that would be applied to the revenue requirement associated with the new portfolio of programs. The first year of the revenue requirement associated with the new mechanism would be billed at 75%, the second year at 80%, the third year at 90% and the fourth year at 100%. Each year, the revenue requirement would include a true-up component of the previous year to 100% of actual plus an estimate of the current year's revenue requirement. The total of these two components would

then be billed based on the billing adjustment for that year. For example, in 2014, the revenue requirement would be billed at 75% and the remaining 25% would flow into 2015. In 2015, the true-up of 2014 (billed revenue requirement less the actual revenue requirement) would be added to the estimate of year 2015 to comprise the revenue requirement. This total would then be subject to the 80% billing factor.

7. The Parties agree that the billing factor for the new portfolio for the rate period January 1, 2014 through December 31, 2014 is .2387 cents per kWh (including gross receipts tax and regulatory fee) for Duke's South Carolina retail residential customers. For non-residential customers, the amounts differ depending upon customer elections of participation. In addition, the non-residential rates will apply to those rate schedules within the non-residential customer class that have Duke DSM/EE program options in which they can participate. The following chart depicts the options and rider amounts (shown on a cents per kWh basis, including gross receipts tax and regulatory fee):

<b>Non-Residential Billing Factors Vintage 2014</b>	<b>Cents per kWh</b>
Vintage 2014 EE Participant	.0827
Vintage 2014 DSM Participant	.0743

8. The Parties agree that qualifying non-residential customers (as defined in the subparagraphs below) of the Company will be allowed to opt-out of the DSM and/or EE portion of the Company's DSM/EE Rider during annual election periods in accordance with current opt-

out provisions.<sup>1</sup> For commercial customers, once one account meets the opt-out eligibility requirement, all other accounts billed to the same entity with lesser annual usage located on the same or contiguous properties are also eligible to opt-out of the DSM/EE Rider. Any non-residential customer that elects to opt out and notifies the Company will, after the date of notification, be exempt from any annual rider amounts related to the vintage in which the customer opted out. If a customer participates in any vintage of programs, the customer is subject to the true-ups for any vintage of programs in which the customer participated, and is obligated to pay any rider amounts associated with lost revenues for each vintage of efficiency programs in which the customer participated. Furthermore, the Parties agree to the addition of a week-long “opt-in period” to take place the first week of March (five (5) business days) for customers who had previously elected to opt-out in the annual enrollment period from November 1 to December 31. Customers making this election will be back-billed to the effective date of the current year Rider EE. To qualify to opt out, the non-residential customer must:

- a. be served under an electric service agreement where the establishment is classified as a “manufacturing industry” by the Standard Industrial Classification Manual published by the United States Government with more than fifty percent (50%) of the electric energy consumption of such establishment being used for its manufacturing processes; or
- b. have a per account annual consumption of 1,000,000 kWh or greater in the billing months of the prior calendar year; and

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<sup>1</sup> The opt-out enrollment period for 2013 will be adjusted if approval of this Settlement Agreement occurs after November 1, 2013, to insure 60-day availability of the opt-out pursuant to the qualification criteria agreed upon herein.

- c. notify the Company in writing that it elects to opt out and that the opt-out customer has implemented its own energy management system or has performed or had performed for it an energy audit or analysis within the three year period preceding the opt out request and has implemented or has plans for implementing the cost-effective energy efficiency measures recommended in that audit or analysis.

9. The Parties agree that prior to June 1, 2014, the Company is to convene a stakeholder group<sup>2</sup> specifically focused on investigating improving the effectiveness of its non-residential programs. The stakeholder group will discuss ways to motivate eligible customers to opt-in to the DSM/EE Rider with particular focus on the impact that increasing incentives above their current levels would have on opt-out eligible customer participation, program cost-effectiveness and potential free-ridership. In addition, the stakeholder group will explore and develop a consensus position regarding the merits of conducting a limited study or survey of opted-out customers, and if deemed to be a prudent endeavor, the parameters of such a study. The Company will file, as a component of its 2014 DSM/EE rider filing, an update regarding the outcome of these discussions and any formal proposals should they be deemed feasible and appropriate. Finally, in addition to the notification requirement in subparagraph 8(c), above, the stakeholder group will discuss the merits of requiring opted-out customers to submit a report annually to the Company documenting the demand side management or energy efficiency measures implemented, and planned to be implemented, as well as the associated demand or energy savings. In the case that the stakeholder group determines that such a report is appropriate, the Company will file, as a component of its 2014 DSM/EE rider filing, an update

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<sup>2</sup> The stakeholder process referenced herein shall be open to the Parties to this Settlement Agreement, all customers that have opted out or are eligible to opt-out, and any other stakeholder.



regarding the outcome of these discussions and a formal proposal for the reporting requirement including the confidential treatment of the information.

10. The Company agrees to develop a study designed to assess the feasibility and estimated cost associated with its achievement of Energy Efficiency Goals established in the settlement agreement entered into between CCL, SACE, NRDC and Duke Energy Corporation, Progress Energy, Inc., Duke and Duke Energy Progress, Inc. (formerly Progress Energy Carolinas, Inc.) in Commission Docket Nos. 2011-158-E and 2011-68-E, *i.e.*, an annual savings target of one percent (1%) of the previous year's retail electricity sales beginning in 2015 and a cumulative savings target of seven percent (7%) of retail electricity sales over the five-year time period of 2014-2018. The study will identify the DSM and EE programs that are both technically and economically feasible and are projected to be necessary to demonstrate a good faith effort by the Company to achieve the Energy Efficiency Goals. The study will also estimate the participation and expected energy and/or capacity savings for each program, as well as projected annual program costs. The Company will provide a draft of the study to the Duke Energy Carolinas Energy Efficiency Collaborative ("Collaborative") for review and comment no later than 12/31/2014. The Company will file the study for informational purposes in the first DSM/EE rider proceeding to occur after the study is completed; and will file annual status updates on the study in each annual DSM/EE rider proceeding during the 2015-2019 period.

11. In order to further incentivize and motivate the Company to pursue all cost effective energy efficiency, the Parties agree that the Company will receive an additional bonus incentive of \$100,000, if the Company achieves incremental energy savings of one percent (1%) of the prior year's retail electricity sales in any year during the five-year period 2014-2018. The Company is eligible to receive the bonus incentive each year during the five-year 2014-2018

period. Verification of this achievement will be obtained through the evaluation, measurement and verification process.

12. The Parties agree that within ninety (90) days of the Commission's Order in this proceeding, the Company will meet with the Environmental Intervenors and other interested stakeholders to discuss the creation of a low-income program to present to the Collaborative for discussion and refinement, and possibly filing such a low-income program with the Commission.

13. The Parties agree to discussion and consideration of on-bill repayment ("OBR") and combined heat and power ("CHP") as part of the Collaborative. The discussion and consideration should commence no later than December 31, 2013. The Company agrees to make a report to the Commission as to the results of the OBR and CHP Collaborative consideration in connection with its next annual DSM/EE rider docket. To the extent the discussion and consideration of either OBR or CHP is ongoing, the Company agrees to provide a status update in connection with its next DSM/EE rider docket, with a report to follow in a subsequent DSM/EE rider docket.

14. The Parties agree that this Revised Settlement Agreement is reasonable, in the public interest and in accordance with law and regulatory policy.

15. ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (Supp. 2012). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and

- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

16. The Parties agree to advocate that the Commission accept and approve this Revised Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding, and to take no action inconsistent with its adoption by the Commission.

17. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Revised Settlement Agreement be accepted and approved by the Commission in its entirety. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Revised Settlement Agreement and the terms and conditions contained herein.

18. This written Revised Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. The Parties agree that this Revised Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will the Revised Settlement Agreement or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve the Revised Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Revised Settlement Agreement without penalty.

19. This Revised Settlement Agreement shall be interpreted according to South Carolina law.

20. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Revised

Settlement Agreement, by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Revised Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Revised Settlement Agreement and the terms contained herein, then this Revised Settlement Agreement shall be null and void and will not be binding on any Party.

**[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]**

**Representing the South Carolina Office of Regulatory Staff**

A handwritten signature in blue ink, appearing to read 'Courtney D. Edwards', is written over a horizontal line.

Shannon Bowyer Hudson, Esquire

Courtney D. Edwards, Esquire

**South Carolina Office of Regulatory Staff**

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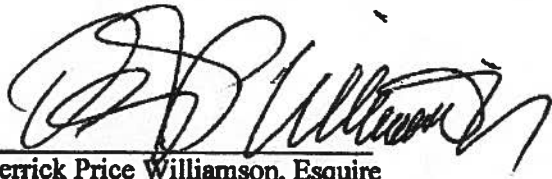
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**Representing Wal-Mart Stores East, LP and Sam's East, Incorporated**

A handwritten signature in black ink, appearing to read "D. Price Williamson", written over a horizontal line.

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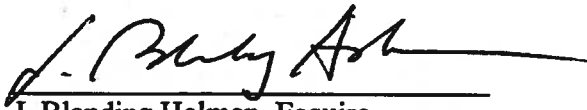
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**Representing the Natural Resources Defense Council ("NRDC"), South Carolina Coastal Conservation League ("CCL"), and Southern Alliance for Clean Energy ("SACE")**



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**Representing Duke Energy Carolinas, LLC**

A handwritten signature in black ink, reading "Timika Shafeek-Horton", written over a horizontal line.

**Timika Shafeek-Horton, Esquire**

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